

EXHIBIT BW

[PUBLIC VERSION]

EXHIBIT 119
WIT: Crouch
DATE: 10-25-23
Peggy Corbett RDR, CSR, CRR, CCR

Short Message Report

Conversations: 1	Participants: 2
Total Messages: 45	Date Range: 1/26/2022

Outline of Conversations



Triano, Rob, Crouch, Ross - 1/26/2022 • 45 messages on 1/26/2022

Messages in chronological order (times are shown in GMT -06:00)

**Triano, Rob, Crouch, Ross - 1/26/2022**

RC

Crouch, Ross

1/26/2022, 7:48 AM

Avanti Executive Summary 1.25.2022 DRAFT.CMO - RC addressed comment.docx{Avanti Executive Summary 1.25.2022 DRAFT.CMO - RC addressed comment.docx}

I addressed Christi's first comment here

Attachment: Avanti Executive Summary 1.25.2022 DRAFT.CMO - RC addressed comment.docx (10 KB)

RT

Triano, Rob

1/26/2022, 7:56 AM

Thanks for covering that...if you want to reply to the email, feel free. I was going to wait for Chris and then address all comments in one. I'm in the SP doc and will finish that sentence on ACH debtors...it was missing a few words

RC

Crouch, Ross

1/26/2022, 7:57 AM

I think it is okay to address all the comments in one

RT

Triano, Rob

1/26/2022, 8:04 AM

I was thinking about this a bit last night on the ACH originators...went back through my FFIEC teaching materials. If an ACH originator initiates 300 debit transactions for the day. The receiving banks have until settlement (think 2pm daily) to reject or accept the transactions. On top of that the receiving bank has a couple days to then return the transaction based on any number of error codes. I want to say this is a specific example of settlement risk, but then the ACH collateral accounts are the mitigant in that case.

RT

Triano, Rob

1/26/2022, 8:05 AM

300 is just an arbitrary number in this example. If 15 of them are returned, the collateral account would need to be amply funding at a certain dollar level

RC

Crouch, Ross

1/26/2022, 8:05 AM

I see. Maybe we can reword that piece to state Settlement risk to Avanti in prime services is expected to be low as Avanti intends to only act as an agent...

RT

Triano, Rob

1/26/2022, 8:07 AM

I'll tweak just a bit there. I don't think we need to be any more explicit in core banking - it should be inferred that ACH collateral is covering the risk that the bank is on the hook for returned transactions. It's a combo of settlement, compliance, and operational risks

RT

Triano, Rob

1/26/2022, 8:07 AM

Working on that one-pager to guide tomorrow's meeting. may share that with you shortly...I scrapped what I had last night

RC

Crouch, Ross

1/26/2022, 8:07 AM

Yeah. I'm just not confident enough on what settlement risk is to make any definitive statements

RC

Crouch, Ross

1/26/2022, 8:08 AM

bummer that you had to scrap what you had.

RC

Crouch, Ross

1/26/2022, 8:08 AM

I'm happy to help

RT

Triano, Rob

1/26/2022, 8:08 AM

I'm a bit more confident now after reading that stuff last night, at least on the payments front...the custody/escrow stuff, I think, confused me bc Avanti is setting that up to the point where they shift settlement risk 100% to operational risk

RT

Triano, Rob

1/26/2022, 8:09 AM

I kept getting thrown off by the comments/questions around custody on that topic

RT Triano, Rob 1/26/2022, 9:06 AM
Just making adjustments on Chris' comments. If you have a couple minutes, might get your take on the Liquidity section. I suspect he's wanting some form of bullets 2-4 on Denton's analysis. I can take a stab at editing that now

RT Triano, Rob 1/26/2022, 9:06 AM
* As a provider of limited traditional banking services, liquidity risk is relatively low, since lending is not allowed and all SPDI liabilities will be 100 percent backed by liquid assets. Further, the company will require a funded escrow account for customers originating ACH transfers.

* As a digital asset custodian, Avanti's role is generally limited to holding digital assets on behalf of the clients, which presents limited liquidity risk.

* As a prime brokerage services provider, Avanti will act as an agent to facilitate the purchase and sale of digital assets, but will not act as a counterparty to the transactions. It is possible that Avanti's deposit and withdrawal activity (and thus its Reserve Bank master account balance) will fluctuate significantly in tandem with fluctuations in digital asset prices. For example, Avanti's customers may deposit or withdrawal USD funds into Avanti that would then be used to purchase or redeem digital assets. According to Avanti's December 1, 2021 correspondence, To mitigate risks to the Reserve Bank from rapid outflows, Avanti states that (1) its customers will only be allowed to settle deposits/withdrawals during the Federal Reserve's operating hours, and (2) Avanti would opt for a zero cap on its Reserve Bank master account, thus mitigating the risk to the Reserve Bank from potential daylight overdrafts.

* As an issuer of Avits – which would be a liability of the firm that the company describes as “digital cashiers’ checks” – the requirement to fully back liabilities with liquid assets would mitigate most related liquidity risk.

RC Crouch, Ross 1/26/2022, 9:13 AM
The third bullet is tricky because it discusses liquidity risk to Avanti but merges it with potential risk to the Reserve Bank.

RT Triano, Rob 1/26/2022, 9:13 AM
Yeah - I was able to easily fit in 2 and 4, but struggling with that one right now

RT Triano, Rob 1/26/2022, 9:13 AM
Liquidity and market risks as planned are low. Management plans to maintain cash at least equal to 100 percent of core deposits in the master account, if approved. Only noninterest-bearing deposits are planned to be offered at this time. The company's short-term plan is to proceed with operations through Cross River prior to gaining access to a master account. If granted master account access, the firm does not anticipate being granted the ability to incur daylight overdrafts. Additionally, Avanti's role as a digital asset custodian presents limited liquidity risk as their role is generally holding digital assets on behalf of its clients. The Avit product would also present limited liquidity risk as they'd be fully backed by liquid assets.

RT Triano, Rob 1/26/2022, 9:14 AM
I'll clean up the language a bit but trying to squeeze prime services between the last two sentences

RT Triano, Rob 1/26/2022, 9:14 AM
we have some of this earlier in the doc too

RC Crouch, Ross 1/26/2022, 9:15 AM
Well - prime services aren't really a liquidity risk

RC Crouch, Ross 1/26/2022, 9:15 AM
I'm not sure that If they weren't offered the deposits would just leave the bank based on digital asset price volatility

RC Crouch, Ross 1/26/2022, 9:16 AM
I think the salient point is that deposit level volatility may be impacted by digital asset price volatility

RC Crouch, Ross 1/26/2022, 9:16 AM
which should be mitigated by having 100 percent cash on hand.

RT Triano, Rob 1/26/2022, 9:18 AM
That's helpful...thanks! Here's a rough attempt. Close?

RT Triano, Rob 1/26/2022, 9:18 AM
Liquidity and market risks as planned are low. Management plans to maintain cash at least equal to 100 percent of core deposits in the master account, if approved. Only noninterest-bearing deposits are planned to be offered at this time. The company's short-term plan is to proceed with operations through Cross River prior to gaining access to a master account. If granted master account access, the firm does not anticipate being granted the ability to incur daylight overdrafts. Additionally, Avanti's digital asset custody activity presents limited liquidity risk as their role is generally holding digital assets on behalf of its clients. The Avit product would also present limited liquidity risk as they'd be fully backed by liquid assets. Lastly, potential deposit level fluctuations based on the volatility of the digital asset market (bitcoin only at product launch) are mitigated by holding assets in cash.

RC Crouch, Ross 1/26/2022, 9:20 AM
by holding the aforementioned cash levels.

RC Crouch, Ross 1/26/2022, 9:21 AM
I think that will work well. A lot of this stuff is also discussed in the products/services summary.

RT Triano, Rob 1/26/2022, 9:21 AM
Agreed on the also being discussed above comment...should tie nicely now. Thanks for the help on that

RC Crouch, Ross 1/26/2022, 9:21 AM
no problem

RT Triano, Rob 1/26/2022, 9:21 AM
I'll reply that we made adjustments to address their edits/comments

RC Crouch, Ross 1/26/2022, 9:22 AM
I'm going to go stealth mode for the next hour (do not disturb) - ping me if you need me.

RT Triano, Rob 1/26/2022, 9:23 AM
Sounds good

RC Crouch, Ross 1/26/2022, 1:39 PM
There is that "pre-examination" language again in the email chain that Jeff sent us

RT Triano, Rob 1/26/2022, 1:47 PM
gamesmanship going on there....no matter how clear we've been, I think she's trying to influence a bit {Smile}{😊}

RC Crouch, Ross 1/26/2022, 1:47 PM
yep. we can always start adding a disclaimer to our meeting invites

RC Crouch, Ross 1/26/2022, 1:48 PM
two can play this documentation game

RT Triano, Rob 1/26/2022, 1:48 PM
Might not be a bad idea to have something in writing...will add that to the list to ask Bill/Nick tomorrow

RC Crouch, Ross 1/26/2022, 1:48 PM
It is exciting to see some movement here

RT Triano, Rob 1/26/2022, 1:48 PM
I have a call at 2, but do you want to connect for 5? I was just in on a board call with Bill/Nick

RT Triano, Rob 1/26/2022, 1:49 PM
We could connect later or tomorrow too - I can guide the discussion tomorrow afternoon, but I figured that we may want to connect on that for a bit beforehand too

RC Crouch, Ross 1/26/2022, 1:49 PM
sure

RT Triano, Rob 1/26/2022, 3:39 PM
I'm open until 4 and then after 4:45. Wide open tomorrow morning until 11 too if better

RT Triano, Rob 1/26/2022, 3:41 PM
Added you as an optional attendee to my BSA system working session with Avanti tomorrow if you'd like. Disclaimers via email are already in place on that one and I'll do so after the meeting too.

RC Crouch, Ross 1/26/2022, 3:42 PM
Ok. I'm free now